FDIC State Profile

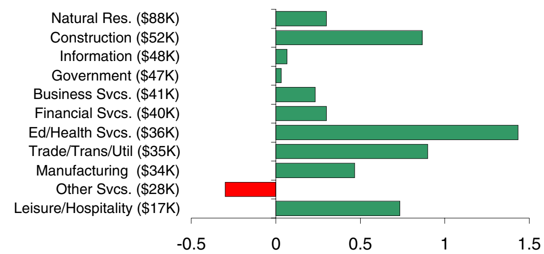
Winter 2005

Alaska

Alaska reported moderate job gains and wage growth.

- Year-over-year job gains in Alaska slowed in third quarter 2005 and just outpaced wage growth. Recently released wage data for first quarter 2005 show that Alaska wages increased just 1.5 percent, well below the nation.
- Recent job growth was led by the education/health services sector, which reported annual wages near state average of $39,000 (see Chart 1).
- Although the average annual salary for the natural resources sector outpaced all others in 2004 by at least $35,000, job growth in this sector stagnated recently.
- Alaska is forecast to maintain its current employment growth pace in 2006.[1]

Chart 1: Alaska Job Growth Was Centered in Average-Paying Industry Sectors

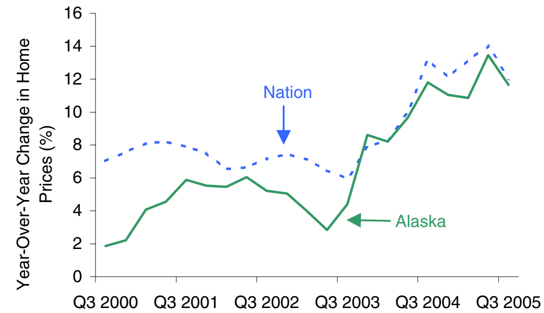


Note: Sectors sorted by average 2004 annual wage (shown in parentheses)
* Change calculated for the year ending third quarter 2005.
Source: Bureau of Labor Statistics

Alaska home prices grew at strong but slowing rates.

- Year-over-year home price appreciation in Alaska was 11.6 percent in third quarter 2005, down from 13.5 percent in the prior quarter and only slightly lower than the national rate of 12.0 percent (see Chart 2).[2]
- As of November 2005, realtors reported that **Anchorage** continued to be a "sellers' market," especially for homes priced under $275,000.

Chart 2: Similar to National Trends, Alaska Home Price Growth Slowed during Third Quarter 2005

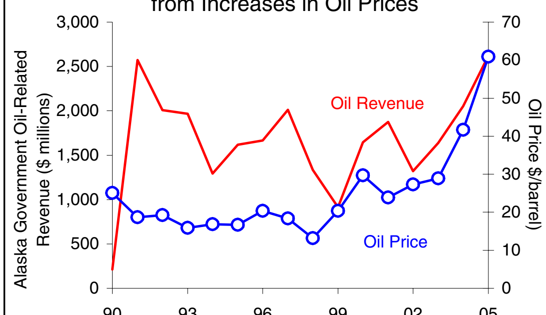


Source: Office of Federal Housing Enterprise Oversight

Increased oil prices bode well for state revenue.

- The price of Alaska North Slope oil rose over $22 per barrel during the first nine months of 2005 and was at a five-year high at the end of the third quarter (see Chart 3).
- Nearly 30 percent of 2004 Alaska state government revenue came from the oil and gas industry.[3]
- According to the state Department of Revenue, each additional dollar per barrel brings in an extra $69 million

Chart 3: Alaska State Revenues are Benefiting from Increases in Oil Prices



Note: 2005 Government Oil-Related Revenue is a forecast and does not take into consideration Hurricane Katrina. Source: Wall Street Journal and Alaska Department of Revenue

[1] Forecast data from Moody's Economy.com.
[2] Based on data from the Office of Federal Housing Enterprise Oversight.
[3] According to the Alaska Department of Revenue.

in revenue and a windfall state budget surplus of $1 billion is expected in 2005 because of higher oil prices.[4]

Population growth spurred branching activity in Alaska.

- Alaska had the 16th fastest population growth rate in 2004 and has ranked in the top third nationally for the last three years. Alaska added 5 new banking offices during the twelve months ending June 2005 and ranked 6th nationally in rate of office growth. This was the first time since 1997 that the state, on net, added bank offices.

- Offices were opened in **Fairbanks** (2), **Juneau** (1), and **Ketchikan** (1). However, Anchorage and Fairbanks had significantly more people per banking office than metropolitan areas nationwide (see Map 1).

- As of June 2005, out-of-state institutions held 54 percent of deposits in Alaska branches compared with only 9 percent five years ago due to industry consolidation.

Bank and thrift earnings performance strengthened.

- Third quarter 2005 earnings at Alaska insured institutions increased significantly year-over-year; the median return on asset ratio increased from 1.13 to 1.24 percent. Net interest margin expansion and an uptick in noninterest income offset higher overhead expenses. Improvements in noninterest income resulted from higher servicing fees and insurance commissions.

- Rising short-term interest rates benefited the largely asset-sensitive banks in Alaska.[5] In third quarter 2005, insured institutions increased their investment in instruments set to mature in less than one year to 46 percent of assets (see Chart 4).

- Profitability was also boosted by strong credit quality. Roughly 29 percent of institutions reported no provision expense in the third quarter, up from 14 percent during the same period last year.

Delinquencies increased among some Alaska-based institutions.

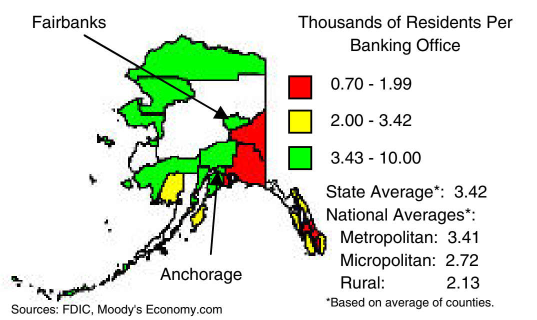
- Alaska ranked in the top ten nationally for the highest level of delinquent loans as of third quarter 2005. However, all banks reported delinquency levels below 3 percent (see Chart 5).

- Asset quality problems center in commercial and industrial (C&I) and commercial real estate (CRE) loan portfolios. The statewide median past-due C&I loan ratio of 2.56 percent and past-due commercial real estate loan ratio of 1.92 percent were both the highest in the nation.

- Annual loan growth remained on par with the nation at 9 percent. However, construction and home equity line of credit portfolios expanded more than 20 percent each, twice the pace of total loans.

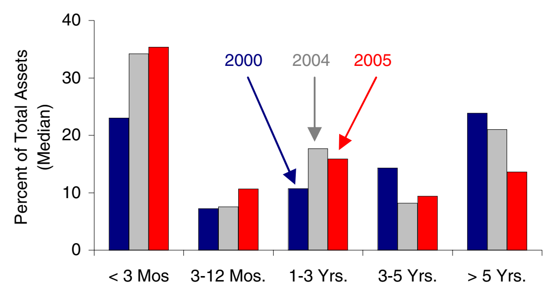
- Rising interest rates, higher energy prices, and a rash of bankruptcy filings early in the fourth quarter may lift delinquencies from their current levels.

Map 1: Anchorage and Fairbanks Reported More People Per Office than Metro Areas Nationwide



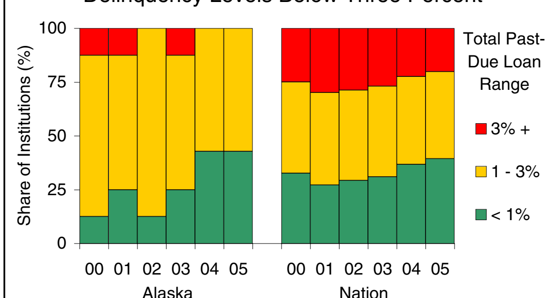
Sources: FDIC, Moody's Economy.com

Chart 4: Alaska Bankers Shortened Asset Maturities as Short-Term Rates Increased



Note: Loans and securities are shown by reported repricing and/or maturity. Fed funds sold and interest-bearing deposits at other banks are assumed to reprice within 3 months.
Source: FDIC (Call Report filers only, September of each year)

Chart 5: All Alaska-Based Institutions Reported Delinquency Levels Below Three Percent



Note: Includes loans past due 30 days or more or on nonaccrual status.
Source: FDIC (September of each year)

[4] Wesley Loy, "Alaska Cities Eye Rebirth of Revenue Sharing," Associated Press, November 8, 2005.
[5] Asset-sensitive institutions have interest-bearing assets that mature or reprice more quickly than interest-bearing liabilities.

Alaska at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q3-05	Q2-05	Q3-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	1.6%	1.5%	1.7%	1.5%	1.5%
Manufacturing (4%)	2.6%	1.4%	3.5%	4.4%	3.4%
Other (non-manufacturing) Goods-Producing (9%)	3.7%	3.2%	2.4%	2.3%	1.1%
Private Service-Producing (60%)	1.7%	1.8%	2.5%	2.1%	1.5%
Government (26%)	0.0%	0.2%	-0.8%	-0.4%	1.2%
Unemployment Rate (% of labor force)	6.6	6.5	7.5	7.5	7.7

Other Indicators	Q3-05	Q2-05	Q3-04	2004	2003
Personal Income	N/A	6.8%	4.4%	4.4%	3.4%
Single-Family Home Permits	-15.0%	-10.8%	21.9%	3.8%	0.6%
Multifamily Building Permits	3.0%	-29.8%	-23.5%	-24.1%	39.1%
Existing Home Sales	11.7%	-5.3%	38.6%	25.0%	7.0%
Home Price Index	11.6%	13.5%	11.8%	10.2%	5.0%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	3.67	2.69	2.04	2.30	2.15

BANKING TRENDS

General Information	Q3-05	Q2-05	Q3-04	2004	2003
Institutions (#)	7	7	7	7	7
Total Assets (in millions)	4,103	4,016	3,980	3,893	3,863
New Institutions (# < 3 years)	0	0	0	0	0
Subchapter S Institutions	1	1	1	1	1

Asset Quality	Q3-05	Q2-05	Q3-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.76	1.09	1.38	1.69	2.20
ALLL/Total Loans (median %)	1.14	1.04	1.10	1.05	1.17
ALLL/Noncurrent Loans (median multiple)	1.78	1.73	1.85	1.70	1.69
Net Loan Losses / Total Loans (median %)	0.06	0.00	0.01	0.16	0.05

Capital / Earnings	Q3-05	Q2-05	Q3-04	2004	2003
Tier 1 Leverage (median %)	8.98	9.36	8.61	9.29	8.92
Return on Assets (median %)	1.24	1.15	1.13	0.95	1.46
Pretax Return on Assets (median %)	1.76	1.63	1.59	1.33	1.59
Net Interest Margin (median %)	5.20	5.22	4.93	4.88	4.86
Yield on Earning Assets (median %)	6.30	6.19	5.61	5.42	5.89
Cost of Funding Earning Assets (median %)	1.24	1.13	0.68	0.69	0.84
Provisions to Avg. Assets (median %)	0.09	0.07	0.08	0.09	0.12
Noninterest Income to Avg. Assets (median %)	1.08	0.99	0.99	0.94	1.21
Overhead to Avg. Assets (median %)	3.94	4.12	3.73	3.78	3.86

Liquidity / Sensitivity	Q3-05	Q2-05	Q3-04	2004	2003
Loans to Assets (median %)	51.2	53.6	48.8	50.8	47.7
Noncore Funding to Assets (median %)	14.6	16.5	13.5	14.2	17.7
Long-term Assets to Assets (median %, call filers)	11.5	17.7	20.2	16.8	11.5
Brokered Deposits (number of institutions)	2	2	2	2	2
Brokered Deposits to Assets (median % for those above)	2.0	2.4	1.6	1.7	1.7

Loan Concentrations (median % of Tier 1 Capital)	Q3-05	Q2-05	Q3-04	2004	2003
Commercial and Industrial	110.0	127.8	120.9	115.8	122.8
Commercial Real Estate	307.6	292.6	302.5	299.7	293.8
Construction & Development	57.1	49.4	52.0	54.9	39.7
Multifamily Residential Real Estate	8.1	9.0	6.6	6.9	6.5
Nonresidential Real Estate	255.2	245.0	249.7	267.0	263.5
Residential Real Estate	97.4	98.9	83.2	84.7	80.8
Consumer	31.3	32.7	33.1	35.1	36.5
Agriculture	2.0	1.5	1.6	1.5	0.1

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits ($ millions)	Asset Distribution	Institutions
Anchorage, AK	5	3,429	< $250 million	4 (57.1%)
Fairbanks, AK	6	804	$250 million to $1 billion	2 (28.6%)
			$1 billion to $10 billion	1 (14.3%)
			> $10 billion	0 (0%)